

Chapter 1: Payments

HIGHLIGHTS OF CHAPTER:

- Payment Methods
- Withholding of Funds
- Minimum Cash on Hand
- Interest Earned
- Cash Management Improvement Act of 1990

PAYMENT METHODS

The Office of Justice Programs (OJP) has three methods for requesting payment of grant funds: the Letter-of-Credit Electronic Certification System (LOCES), the Phone Activated Paperless Request System (PAPRS) and the Automated Standard Application for Payments (ASAP).

Recipients are required to submit the completed ACH electronic funds transfer form bearing the original signature of the authorized official of the recipient's financial institution. The Debt Collection Act of 1996 states that all eligible recipients of Federal payments must receive funds electronically. Recipients are also reminded to coordinate with their respective financial institutions for an addendum record which contains payment-related information for their records. Additionally, in order for a recipient to receive payments requested, a current SF 269A for the grant on which payment is requested must be on file with OJP.

LOCES is a modem connection service that allows recipients of OJP funds to electronically request payment from OJP on one day and receive a direct deposit to their bank for the requested funds, usually on the following day. To make requests for payment through LOCES, an organization must have a personal computer with a 1200 or 2400 baud capable modem operating with DOS 3.1 or later versions. OJP requires the contact names, telephone numbers, and addresses of various individuals who will be involved in LOCES. After the LOCES Computer Information Form is received, a complete information package is sent out which contains the Vendor Express enrollment form, SF 3881. After this form is received, the LOCES program diskette and passwords are mailed separately to the authorized user to ensure security of the system.

PAPRS allows grant recipients immediate access to OJP funds through the use of a touch tone telephone. The use of electronic means to transfer money from the U.S. Treasury became law under the Debt Collection Improvement Act passed by Congress and signed by President Clinton effective July 26, 1996. Grant recipients should complete and return the Automated Clearing House (ACH) Enrollment Form included in the PAPRS information packet and return it to the OJP/OC Accounting Division (AD). Through the combined use of PAPRS and ACH, approved requests will be deposited into the grantee's financial institution within 48 hours. Grantees will receive their password/PIN and corresponding Grant ID numbers from AD.

The password is to be given only to authorized persons of the grantee organization and not given to subgrantees. The recipient is solely responsible for the security of this access code. AD provides a manual that has instructions for using the system.

ASAP uses an Internet connection that operates from either Netscape or Internet Explorer and requires no additional software. ASAP was developed by the Financial Management Service of the Department of Treasury and the Federal Reserve Bank of Richmond. ASAP is a recipient-initiated payment and information system designed to provide a single point of contact for the request and delivery of Federal Funds. Currently, OJP has initiated a pilot program with some of our grant recipients. Due to pending ASAP reconstruction by the Department of Treasury, they will not add any new OJP grant recipients until 2004.

WITHHOLDING OF FUNDS

The awarding agency may withhold drawdowns to a recipient organization receiving cash funds by letter of credit or by electronic transfer of funds, if the recipient demonstrates any of the following:

1. Unwillingness or inability to attain program or project goals or to establish procedures that will minimize the time elapsing between the cash drawdowns and expenditure;
2. Inability to adhere to guideline requirements or special conditions;
3. Improper engagement of awarding and administering subawards or contracts; and
4. Inability to submit reliable and/or timely reports.

The recipient organization may be required to finance its operation with its own working funds until such time the recipient is in compliance with its award.

MINIMUM CASH ON HAND

Whichever payment method is used, recipient organizations should request funds based upon immediate disbursement requirements. Funds will not be paid in a lump sum, but rather disbursed over time as project costs are incurred or anticipated (with the exception of Local Law Enforcement Block Grants (LLEBG), Juvenile Accountability Incentive Block Grants (JAIBG), and State Criminal Alien Assistance Program Grants (SCAAP) which are paid in a lump sum). Recipients should time their drawdown requests to ensure that Federal cash on hand is the minimum needed for disbursements to be made immediately or within a few days.

Fund requests from subrecipients create a continuing cash demand on award balances of the State. The State should keep in mind that idle funds in the hands of subrecipients will impair the goals of cash management. All recipients must develop procedures for the disbursement of funds to ensure that Federal cash on hand is kept at a minimal balance.

INTEREST EARNED

Recipients and subrecipients shall minimize the time elapsing between the transfer and disbursement of funds. Recipients and subrecipients that administer confidential funds may establish different procedures for administering confidential funds to provide quick access to funds to meet the needs of the project. Also, interest income on LLEBG Block and JAIBG Block grants must be accounted for, reported as program income, and used in accordance with the provisions of Part III, Chapter 4 (Program Income) of this guide.

1. In accordance with Section 203 of the Intergovernmental Cooperation Act of 1968 (Pub. L. 90-577; 31 USC 6503(a)), a State and its subrecipient and any agency or instrumentality of a State, including State institutions of higher education and State hospitals, but not political subdivisions of a State (cities, towns, counties, and special districts created by State law) SHALL NOT be held accountable for interest earned on grant money pending its disbursement for program purposes.

This refers to formula grant programs where subawards are made to local jurisdictions. Subrecipients under formula grant programs are held accountable for interest earned on advances.

2. In accordance with Sections 102, 103, and 104 of the Indian Self Determination Act (Pub. L. 93-638; USC 450(j)), tribal organizations SHALL NOT be held accountable for interest earned pending their disbursement by such organizations.
3. All local units of government (political subdivisions of a State, including cities, towns, counties and special districts created by State law) shall account for interest earned on Federal funds. Local units of government may keep interest earned on Federal grant funds up to \$100 PER FEDERAL FISCAL YEAR. This maximum limit is not per award; it is inclusive of all interest earned as a result of all Federal grant program funds received per year. Interest earned in excess of \$100, excluding LLEBG and JAIBG, must be remitted to the United States Department of Health and Human Services, Division of Payment Management Services, P.O. Box 6021, Rockville, MD 20852.
4. Nonprofit organizations shall account for interest earned on Federal funds. Nonprofit organizations may keep interest earned on Federal grant funds up to \$250 PER FEDERAL FISCAL YEAR. This maximum limit is not per award; it is inclusive of all interest earned as a result of all Federal grant program funds received per year. Interest earned in excess of \$250 must be remitted to the United States Department of Health and Human Services, Division of Payment Management Services, P.O. Box 6021, Rockville, MD 20852.

NOTE: Interest earned on LLEBG Block and JAIBG Block grants must be accounted for and reported as program income, and used in accordance with the provisions of Part III, Chapter 4, (Program Income) of this guide. Any unexpended program income should be remitted to the Office of Justice Programs, Office of the Comptroller, ATTN: Funds Control Branch, 810 7th Street, NW 5th Floor, Washington, D.C. 20531.

CASH MANAGEMENT IMPROVEMENT ACT OF 1990

The Cash Management Improvement Act (CMIA) was an amendment to the Intergovernmental Cooperation Act, 31 U.S.C. 6503. Under this provision 31 U.S.C. 5(b) of Pub. Law 101-453, States are no longer exempted from payment of interest to the Federal Government for drawing down funds prior to the need to pay off obligations incurred. The provisions of 31 U.S.C. section 6503(c) (1) require that the States pay interest in the event that the States draw down funds before the funds are needed to pay for program expenses.